

# International Market Insight

## FRANCE

### CONSEQUENCES OF SEPTEMBER 11, 2001 ON THE TRAVEL AND TOURISM INDUSTRY IN FRANCE.

France's tourism and travel industry was not spared a wide range of problems in the wake of the events of September 11, 2001. **Although there have been some recent signs of a mild recovery, France's "Visit USA" industry continues to suffer from the consequences of those tragic events.** This report analyzes the impact of September 11 on the U.S. airline industry, including in France and the rest of Europe, and on French tour operators and travel agencies, in particular. It also outlines some measures taken to try and reinvigorate travel to the United States. At the same time, however, other factors continue to render travel to the United States more difficult than it needs to be and are reported here.

#### **1. Impact on the U.S. airline industry**

Prior to September 11, 2001, the International Air Transport Association (IATA) reported a \$2.6 billion loss for the airline industry. Losses more than tripled to nearly \$ 10 billion after the attacks. It also reported a drop of 34.2 percent in U.S. domestic travel and a cut of 90,350 jobs following the attacks.

As of January 15, 2002, IATA reported the following information on the airlines in the United States:

Airlines	Total Layoffs	Percent age of Layoffs to total staffing	3rd Quarter 2001 Profit/Loss	Traffic September	Traffic October	Government Aid (\$ millions)
America West	2,000	14%	not available	-21%	not available	60.3
American Airlines	20,000	14%	- \$ 813.42 million	-33.7%	-27.9%	359.4
American Trans Air	1,500	19%	not available	not available	not available	32.4
Continental	12,000	21%	+ \$ 2.97 million	-31%	not available	191.2
Frontier	400	15%	not available	not available	not available	10.1
Midwest		12%	not	not	not	not

Express	450		available	available	available	available
Northwest Airlines	10,000	19%	- \$ 100.26 million	not available	-29%	248.6
United Airlines	20,000	20%	- \$ 1.15 Billion	-31.5%	-28.7	390.7
US Airways	11,000	23%	- \$ 768.24 millions	-33.4%	- 34.5%	159.7
Delta Air Lines	13,000	N/A	- \$ 259.74 million	-32.4%	- 23.7%	327
<b>TOTAL LAYOFFS</b>	<b>90,350</b>					

Airline travel was already experiencing a slowdown prior to September 11. The events exacerbated further the existing decline in business. The drop in airline traffic between France and the U.S. since September 11 has been approximately 20 percent. In order to attempt to off-set this downturn, airlines reduced air fares and the number of flights.

Moreover, the U.S. Government contributed provided some \$ 15 billion in assistance to the industry to help it in dealing with the drastic downturn in activity caused by the September 11 events. Worldwide, almost half of the 200,000 jobs lost in the airline industry were lost were in the United States.

## **2) Impact on French and other European airlines**

### **Europe**

In Europe, the direct consequences of the crisis varied from one company to another. The Swissair Group was already in financial difficulty and collapsed. Combined with its subsidiary Sabena, losses totaled \$2.5 billion, traffic dropped by 20 percent, while Swissair laid off 7,300 workers and Sabena 5,100.

**To cope with the increased market power of the large U.S. airline companies, most European airlines are engaged in some form of restructuring.** In addition, airline alliances have been growing to help develop the long-haul traffic market. Another development is that a number of additional low-cost airlines could be created like those such as Buzz, Easyjet, Go, and Ryanair, which have already demonstrated success in the "within Europe" air traffic market.

### **France**

Compared to similar periods the previous year (2000), airline traffic (for all airlines) in France decreased by 7.37 percent in September 2001, 15.35 percent in October 2001, and 7.2 percent in November 2001.

At the same time, Air France's long haul traffic increased by 1.6 percent during the same period, mostly as a result of increased travel to Africa (32 percent) and South America (16 percent). In the meantime, traffic to North America and the Middle East declined by 16 percent and 8 percent, respectively.

Numbers of jobs lost in Europe in aftermath of September 11 were as follows:

<b>Airlines</b>	<b>Total Layoffs</b>
Lufthansa	7,000
British Airways	7,000
Air France	1,000
KLM	2,500
Swissair/Sabena	46,000
Alitalia	3,400
Iberia	3,000
Aer Lingus	2,800
Austrian	850
<b>TOTAL</b>	<b>73,550</b>

### **3) Impact on French tour operators and travel agencies**

In France, twenty tour operators registered 11,000 cancellations for trips to the United States and Canada during the days that followed the attacks, and nearly 5,500 reservations were cancelled in October for those destinations. Sales also dropped for Mediterranean destinations. Some of France's top tour operators suffered major declines in business activity to the United States, as illustrated by the following chart:

<b>French Tour Operators for U.S. destinations</b>	<b>Decline in Reservations from October 2000 to October 2001</b>
Vacances Fabuleuses	45%
Jet Set	55%
Directours	25%
Voyageurs du Monde	25%
Kuoni	25%

At the same time, **French tour operators and other organizations in France took several actions to help boost business to the United States** such as:

- A low-cost "Thanksgiving package" to New York City by several tour operators and airlines, promoted by the Visit USA Committee France;
- A five-percent rate reduction by tour operator Jet Set for U.S. destinations;
- Press trips to New York City by major travel trade magazines like *Le Quotidien du Tourisme*, *TourHebdo*, *L'Echo Touristique*, and *L'Univers des Voyages*;
- Advertising campaigns in France organized by Visit Florida and the State of Pennsylvania.

While travel to North America experienced a significant downturn, the number of cancellations by French travelers to all destinations remained relatively low compared to the total number of packages sold annually (7 million). At the same time, new reservations have fallen by 40 percent. Tour operators are attempting to find new ways to adapt to changes in the travel market and to grow their business.

**It is important to note that the French have continued to travel internationally to a significant degree.** Although there was an overall downturn immediately after September 11, travel rebounded significantly several months later. Travel to the United States and the Middle East (Syria, Jordan, Israel, Egypt), however, remains slow. Other destinations are now emerging as leading destinations, such as Malta, Portugal, Thailand, Mauritius, the Seychelle Islands and the Maldives.

Examples of destinations now promoted by French tour operators are as follows:

#### **Tour Operators**

Frantour  
Look Voyages  
Etapas Nouvelles  
Fram

#### **New Destinations**

France (mountains)  
France (mountains)  
Italy, Greece, Spain  
Italy (Sardinia), Greece

#### **4) Impact on French travelers**

In a survey conducted ten days after the events of September 11, French travelers, in response to the question -- will this event change your travel plans between now and year's end?--, answered as follows:

Certainly not: 48%  
Not likely: 19%  
Certainly: 22%  
Probably: 10.7%

Nearly seventy percent of French travellers surveyed would proceed or were seriously considering proceeding with travel plans via airplane. The survey also revealed that the increased security measures taken by airport and government authorities were an important factor in that positive decision. Those who decided not to travel internationally chose to travel to destinations within France. In fact, some "rural tourism" destinations experienced a significant increase in activity in the fall of 2001.

#### **Conclusion:**

**It is clear that September 11 had a major impact on the French travel and tourism industry, particularly on those who were promoting travel to the United States.** Nevertheless, travel to the United States had already begun to decline to a noticeable degree prior to September 11. **Several other factors contributed to that earlier drop.** Among the most important were the value of the dollar vis-a-vis the Euro; airport taxes that are higher for transatlantic flights; and "hidden" costs charged by destinations that are not always mentioned in the destination brochures or included in packages (e.g., state, local, city, and other taxes; resort fees). Some of these factors will need to be re-examined so that the U.S. travel and tourism market remains competitive.

**In any case, as 2002 begins, analysts are somewhat optimistic that the travel and tourism industry in France will recover. Overall travel by French leisure and business travellers has already begun to rebound.** U.S. destinations are still attractive to the more than one million French travellers to the United States. At the same time, tour operators and other tourism professionals in France that specialized in travel to the United States have been severely affected by September 11 and other factors which -- added together -- could continue to affect travel to the United States.

**At this point, it is critical that U.S. destinations re-double their efforts to promote travel to their city, state and region in France and the rest of Europe, using such venues as major trade events and tourism promotion missions.** The Visit USA Committee in France -- in collaboration with the U.S. Commercial Service office at the U.S. Embassy in Paris -- provides perhaps the most effective forum to help promote American destinations in France.

**Sources:**

- Le Quotidien du Tourisme
- L'Echo Touristique
- TourHebdo
- Travel Weekly

To obtain information about specific ways to promote travel to & tourism in U.S. destinations in France, please contact:

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